



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

Health Insurance Risk Sharing Program

Change to Base	FY 04		FY 05	
	GPR	SEG	GPR	SEG
Re-estimate (SEG)	\$0	\$64,374,000	\$0	\$127,336,400
GPR Elimination	-\$10,241,800	-\$2,048,400	-\$10,241,800	-\$2,048,400
Allocation Change	\$0	-\$1,842,400	\$0	-\$2,629,500
Total Change to Base	\$0	\$60,483,200	\$0	\$122,658,500

Description of Proposal

- Increase HIRSP spending authority by \$60,483,200 SEG in FY04 and \$122,658,600 SEG in FY05 to support the increased expenditures of the Health Insurance Risk Sharing Program (HIRSP).
- Eliminate the \$9,500,000 annual GPR funding for operations and the \$741,800 annual GPR funding for premium and deductible subsidies.
- Change the allocation of program cost from 60% policyholders, 20% insurers, and 20% providers to 58% policyholders, 21% insurers, and 21% providers.
- Eliminate the statutory requirement that the HIRSP plan administrator must be the Medicaid fiscal agent.

Background

- Created by the Legislature in 1980, the Health Insurance Risk-Sharing Plan (HIRSP) provides major medical health insurance coverage to Wisconsin residents who are either unable to find adequate health insurance coverage in the private market due to their medical conditions or have lost their employer-sponsored group health insurance.
- After deducting the GPR funding for operations, the expenses of the plan are distributed 60% to policyholders, 20% to insurance companies and 20% to providers. However, policyholders are required to pay premiums that are at least 140% of the standard rate for a similar policy in the private market. The program also provides premium and deductible subsidies for low-income individuals funded mainly by assessments on insurers and providers.
- In 1998 HIRSP became the state's HIPAA compliance plan, which allows individuals to enroll when they lose their employer-sponsored group health insurance and meet other specific criteria. Federal law requires Wisconsin to have a HIPAA compliant plan by either operating a high-risk pool or by guaranteeing that individuals that lose their employer sponsored plan have access to the private market.
- HIRSP enrollment at the end of December 2002 was 15,882. It is estimated that HIRSP enrollment will grow 25% in FY04 and 22% in FY05. In the last three years average enrollment increases have exceeded 21.5%. It is also assumed that health care costs will increase by 17% annually in FY04 and FY05.

- These projections imply that HIRSP benefit expenditures will increase 46.3% in FY04 and then 42.7% in FY05.
- Enrollment increases and new requirements will increase administrative costs by an estimated \$880,300 SEG in FY04 and \$1,407,500 SEG in FY05. Part of these increases are due to new cost containment initiatives for drug expenditures. Most administrative costs are contract costs for the HIRSP plan administrator. Administrative costs are considered part of the total cost of the program and included in the funding allocation.
- Since FY98, the HIRSP program has received GPR benefits funding to offset program costs. Before this time, the HIRSP program only received GPR funding to offset a portion of the premium and deductible subsidy program costs.
- By statute the plan administrator must be the Medicaid fiscal agent.
- At the end of 2005 the current Medicaid fiscal agent contract will expire and a new request for proposal for a Medicaid fiscal agent will be issued. The Department will be issuing a competitive RFP to award a new contract. Currently, with no legislative changes, the HIRSP plan administrator contract would be bid as a part of the Medicaid contract.

Rationale for Proposal

- The HIRSP program provides health insurance to numerous Wisconsin residents who would not otherwise be able to obtain health insurance coverage. Growth in enrollment costs require that spending authority be expanded to continue the program as currently specified in statute.
- HIRSP acts as the state's HIPAA compliant plan. If Wisconsin did not operate a high-risk pool, insurance carriers in the state would have to provide access to the HIPAA eligible enrollees.
- Both insurers and providers benefit from the HIRSP program. Insurers do not have to provide insurance plans for HIPAA eligible enrollee while providers are faced with fewer persons seeking uncompensated care.
- Supporting HIRSP costs with a significant amount of GPR funding (approximately \$10 million per year) is a relatively recent development. Prior to 1998, the HIRSP program only received GPR funding to offset a portion of the premium and deductible subsidy program costs.
- Changing the funding allocation will reduce the impact of the GPR elimination on policyholder premiums.
- Since the administrative costs are a component of the cost of the program it is important to allow the HIRSP program to obtain the most cost effective plan administrator. By allowing the HIRSP plan administrator to be independent of the Medicaid fiscal agent, the HIRSP plan administrator contract will be able to be competitively bid. This will allow the program to determine if it is more cost effective to have a single contractor administer both MA and HIRSP or to have a separate administering agency for each program.